

**COUNTY EXECUTIVE'S 2006 BUDGET****DEPT:** GENERAL COUNTY DEBT SERVICE**UNIT NO.** 9960**FUND:** Debt Service - 0016**OPERATING AUTHORITY & PURPOSE**

Pursuant to the provisions of Section 67.05(10) of the Wisconsin Statutes, the County Board shall levy, by a recorded resolution, a direct annual irrevocable

tax sufficient to pay the interest on bond obligations as they fall due, and to pay the bond principal at maturity.

<b>BUDGET SUMMARY</b>			
	<u>2004 Actual*</u>	<u>2005 Budget</u>	<u>2006 Budget</u>
<u>Expenditures</u>			
Debt Service Principal (8021)	\$ 31,290,000	\$ 36,476,723	\$ 41,750,239
Debt Service Interest (8022)	20,985,062	20,678,110	18,875,469
Total Principal and Interest	\$ 52,275,062	\$ 57,154,833	\$ 60,625,708
Interest Allocation (9880)	(4,868,626)	(6,283,459)	(5,060,456)
<b>Total Expenditures</b>	<b>\$ 47,406,437</b>	<b>\$ 50,871,374</b>	<b>\$ 55,565,252</b>
<u>Contributions</u>			
Reserve for County Bonds (4703)	\$ 7,714,287	\$ 7,475,859	\$ 1,416,780
<b>Total Contributions</b>	<b>\$ 7,714,287</b>	<b>\$ 7,475,859</b>	<b>\$ 1,416,780</b>
<u>Revenues</u>			
Jail Assessment Surcharge (1315)	\$ 1,535,393	\$ 1,550,551	\$ 1,566,058
Other State Grants and Reimbursements (2299)	0	0	0
Sale of Capital Asset (4905)	2,162,035	3,434,000	4,018,000
Revenue from Project Rents (4999)	934,322	1,335,510	1,303,670
Accrued Revenue for State Trust Fund Loan Payment	0	845,000	0
<b>Total Revenues</b>	<b>\$ 4,631,750</b>	<b>\$ 7,165,061</b>	<b>\$ 6,887,728</b>
<b>Direct Property Tax Levy**</b>	<b>\$ 35,060,400</b>	<b>\$ 36,230,454</b>	<b>\$ 47,260,744</b>

\* 2004 actual excludes balance sheet entries to record principal retired for proprietary fund departments. This adjustment is intended to allow 2004 information to be reported on a basis comparable to the subsequent year budget summaries.

\*\* County sales and use tax revenues are dedicated primarily to the payment of general obligation debt service costs. For budgetary purposes, the County's pledge to levy ad valorem taxes for the payment of debt service payments treats sales tax revenues and property tax revenues as fungible (interchangeable).

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## Summary of Bonds and Notes Outstanding

Type of Issue	True Interest Rate	Date of Bonds	Final Maturity Date	Bonds or Notes Outstanding 12/31/05	2006 Budget Requirements	
					Principal	Interest
R	5.04	10/15/93	10/01/11	\$ 16,165,242	\$ -	\$ -
A	5.65	06/15/95	12/01/14	2,925,000	325,000	165,750
A	5.80	06/15/96	12/01/15	3,750,000	375,000	217,406
AR	5.41	07/01/96	10/01/08	4,570,000	1,685,000	253,125
C	5.34	05/01/97	10/01/12	8,925,000	-	-
B	4.91	09/01/97	10/01/13	1,495,000	155,000	7,130
AR	4.72	09/01/97	10/01/09	3,045,000	1,295,000	145,158
C	4.77	05/01/98	10/01/13	13,000,000	-	-
R	4.23	03/01/99	10/01/12	21,970,000	3,245,000	913,363
C	4.48	05/01/99	10/01/14	24,375,000	-	178,750
A	4.60	05/01/99	10/01/14	4,095,000	455,000	186,550
R	4.67	05/27/99	10/01/13	1,355,000	145,000	62,670
C	5.46	03/01/00	09/01/15	27,700,000	1,300,000	424,625
C	4.40	04/01/01	10/01/16	23,500,000	1,000,000	1,175,000
TB	6.06	06/01/01	12/01/11	1,500,000	250,000	91,000
R	3.87	10/01/01	12/01/11	45,000,000	7,425,000	1,762,875
AR	4.47	10/01/01	12/01/11	870,000	145,000	37,193
R	4.08	06/01/02	09/01/11	39,325,000	7,875,000	1,926,875
C	4.20	02/01/02	08/01/17	26,125,000	875,000	1,325,188
C	3.95	02/01/03	08/01/18	22,500,000	1,725,000	1,095,000
R	3.48	07/01/03	08/01/17	100,025,000	-	3,363,805
R	2.22	10/01/03	12/01/08	19,675,000	6,720,000	441,900
C	3.72	02/01/04	08/01/19	25,835,000	1,365,000	899,581
C-estimated	4.41	06/01/06	12/01/20	25,080,000	975,000	1,008,732
R-estimated	3.60	02/01/06	10/01/15	<u>67,830,000</u>	<u>820,000</u>	<u>2,266,442</u>

Projected Outstanding Balance as of December 31, 2005 and Associated Debt Service \$ 530,635,242 \$ 38,155,000 \$ 17,948,118

STFLP-Pensio	6.00	03/15/04	03/15/09	\$ 15,167,945	\$ 3,467,583	\$ 910,077
STFLP-Equip	EST	03/15/05	03/15/09	<u>539,524</u>	<u>127,656</u>	<u>17,276</u>
				\$ 15,707,469	\$ 3,595,239	\$ 927,353

\$ 546,342,711 \$ 41,750,239 \$ 18,875,471

2005 Total Budgeted Debt Service for General Obligation Bonds \$ 56,103,118

2006 Total Budgeted Debt Service for State Trust Fund Loan 4,522,592

\$ 60,625,710

### Type of Issue Explanation

A -Airport Bonds  
 B -Building Bonds  
 C -Corporate Purpose Bonds  
 D -Detention Facility Bonds  
 N -General Obligation Note  
 R -Refunding Bonds  
 AR-Airport Refunding Bonds  
 TB-Taxable Bonds  
 STFLP- State Trust Fund Loan Program

### DEBT SERVICE CONTRIBUTIONS

#### Reserve for County Bonds (4703)

A contribution of \$1,416,781 from the Reserve for County Bonds is anticipated for 2006.

The 2004 General Obligation Corporate Purpose Bonds sold at a premium, which has resulted in

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\$223,974 in surplus bond proceeds. In accordance with Section 67.11, Wisconsin Statutes, the bond premium was applied towards the interest payment on the bonds in 2006.

In addition, the County lapsed \$1,192,807 in bond proceeds at year-end 2004 to be applied towards the interest payment on the 1998-2004 Corporate Purpose Bonds.

### Estimated Arbitrage Liability

The County booked \$1,186,309 at year-end 2001 to pay arbitrage penalties for the 1996-2000 bonds.

Federal arbitrage rules for bond proceeds subject to rebate allow a five-year period from the closing date of the bonds to calculate rebate liability and require that the first payment be made at the end of the five-year period.

The revised total estimated arbitrage liability is \$587,816, which consists of a balance of the following:

Year	Total Estimated Liability	Payments To Date	Surplus Proceeds	Remaining Liability
1996	\$ 708		\$ 708	\$ -
1997	\$ 3,605		\$ 3,605	\$ -
1998	\$ 271,992	\$ 123,836	\$ 148,156	\$ -
1999	\$ 448,250		\$ 448,250	\$ -
2000	\$ 796,151	\$ 796,151		\$ -
2001	\$ 519,803			\$ 519,803
2002	\$ 88,255	\$ 20,242		\$ 68,013
2003	\$ -			\$ -
Total	\$ 2,128,763	\$ 940,229	\$ 600,718	\$ 587,816

The total amount budgeted from the debt service reserve is \$1,416,781, which consists of \$223,974 in premium and excess bond proceeds from the sale of the 2004 Corporate Purpose Bonds and \$1,192,807 in lapsed bond proceeds from 1998-2004 bond issues.

The balance in the debt service reserve net of the 2006 Budget allocation will be approximately \$100,000.

### Jail Assessment Surcharge (1315)

Jail Assessment Surcharge Revenue of \$1,566,058 is projected to be used to pay 2006 debt service costs for the construction of the Criminal Justice

Facility (CJF) as allowed by Wisconsin Statutes Section 302.46(2).

### Sale of Capital Asset (4905)

#### Doyle Hospital Sale Revenues

Based on the sale agreement between Milwaukee County and Froedtert Memorial Lutheran Hospital, the County will receive annual payments over 20 years beginning in 1997 and ending in 2016 based on the net operating cash flow generated by Froedtert Memorial Lutheran Hospital. Based on 5.25 percent of net operating cash flow, the estimated revenue for 2006 is \$4,018,000. The budgeted amount for 2005 was \$3,434,000. Actual revenues for 2004 totaled \$2,162,035. The 2004 surplus of \$1,271,965 was deposited in Org. 1945 – Appropriation for Contingencies in compliance with the budget directive for 2003 and forward regarding unbudgeted revenues. (See Org. 1945 – Appropriation for Contingencies for detailed explanation.)

### Revenue from Project Rents (4999)

#### Milwaukee Kickers Soccer Club

The County issued a total of \$3,750,000 in 1994 and 1995 General Obligation Bonds for the Milwaukee Kickers Soccer Club (MKSC) for the purpose of purchasing land and developing an indoor/outdoor sports complex to be located at the Uihlein Soccer Park at 7101 West Good Hope Road in Milwaukee. The MKSC agreed to repay the County for debt service on these bonds.

On July 23, 1998, the County Board of Supervisors approved Resolution File No. 98-427, which authorized an amendment of the lease agreement between the MKSC and Milwaukee County to restructure the lease payment schedule. The new payment plan reflects the donation to MKSC of the Uihlein Soccer Park land and associated costs by establishing a level payment schedule of \$430,000 annually and extending the schedule from 2010 to 2011, beginning in 1998.

In addition, the payment dates were changed from June and December to August and February, beginning in 1999. On October 18, 2001, Milwaukee County issued \$49,925,000 in Corporate Purpose Refunding Bonds to refund a portion of the 1994, 1995 and 1996 bonds. The bonds sold at a

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premium, which has been budgeted under the Debt Service Revenues section. A portion of the refund savings and premium have been applied to the outstanding Milwaukee Kickers debt, which has reduced the lease payment from \$430,000 to \$424,000 for 2003 and future years.

The payment amount for 2006 is \$424,000.

### **Marcus Center Renovation**

The County issued a total of \$5,802,000 in General Obligation Bonds during 1994 and 1995 for the purpose of renovating the interior of the Marcus Center for the Performing Arts. The Marcus Center is undertaking a private fund-raising effort to repay the County for bonds issued for this \$12.7 million project. Based on information provided by the Marcus Center, current pledges are sufficient to repay bonds issued by Milwaukee County for this project. Reimbursement for project debt service in 2004 totals \$539,515. The County forgave \$400,000 of the \$539,515 debt service amount. Therefore, the reimbursement amount for 2004 was \$139,515. The County budgeted the full amount of \$519,412 for 2005.

The budget amount for 2006 is \$497,938.

### **Intergovernmental Cooperation Council**

The County issued \$2,500,000 General Obligation Building Bonds, Series 1997A on July 17, 1997 on behalf of the Intergovernmental Cooperation Council (ICC) for the development of an animal control shelter. The County and ICC have developed a final agreement as required for the release of the bond proceeds to the ICC. The ICC will repay the County for actual debt service costs on this issue. Reimbursement for debt service costs for 2006 totals \$227,478. This compares to \$229,303 in 2005.

### **Private Geographic Members (PGMs)**

In 2003, Milwaukee County issued general obligation bonds to finance Project WG008 – Milwaukee County Grounds Roadway Rehabilitation. Milwaukee County Ordinance 98.01 states that the Private Geographic Members (PGM's) shall share in the cost of improvements at the County Grounds on an equitable basis. The PGM's consist of Milwaukee County (DHHS – Behavioral Health Division), Froedtert Hospital, Children's Hospital, Medical

College of Wisconsin, Curative Rehabilitation and Blood Center of Southeastern Wisconsin.

The cost allocations for improvements are based on a cost sharing formula that is determined by the square footage of building area that the geographic members bear to the total gross square feet of the building area of all geographic members combined. The square footage is evaluated annually and is expressed as a percentage. Presently, the allocation for the County is 17.8 percent and the combined percentage for the remaining PGM's is 82.2 percent. Therefore, 82.2 percent of the debt service costs for the roadway improvements will be paid by the remaining PGMs. The budgeted amount for 2006 is \$154,255.

### **State Trust Fund Loan Program**

In 2004, Milwaukee County borrowed \$539,524 from the State Trust Fund Loan Program to finance various equipment items. The County borrowed an additional \$18,627,012 to finance a portion of its contribution variance. The amortization period is four years for the equipment loan and five years for the pension loan. Principal and interest amounts are \$3,586,723 and \$935,868, respectively, for 2005. These amounts are included in the account 8021 and 8022 for the payment of principal and interest. The total loan payment for 2006 is \$4,522,592.

1993 Levy Rate Cap: Effective August 12, 1993, Section 59.605, Wisconsin Statutes imposed a property tax rate limit for Wisconsin counties. Separate limits were imposed for operating levy rates and debt service levy rates. Initially, the baseline for the rate limit was the 1992 actual tax rate adopted for 1993 budget purposes. The County cannot exceed these operating levy rate and debt levy rate limits unless one or more conditions apply, as described below. The statute establishes specific penalties for failure to meet the tax rate limit requirements. Among the penalties for exceeding the tax rate limits are reductions in State shared revenues and transportation aids.

Under the terms of the 1993 levy rate cap, general obligation debt can be issued only if one of the following conditions is met: (1) a referendum is held that approves the debt issuance; (2) the County Board of Supervisors adopts a resolution that sets forth its reasonable expectation that the issuance of the debt will not cause the County to increase the

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debt levy rate; (3) the issuance of the debt was authorized by an initial resolution adopted prior to the effective date of 1993 Wisconsin Act 16 (August 12, 1993); (4) the debt is issued for certain specified purposes, including financing regional projects under Section 67.5(7)(f); (5) the debt is issued to fund or refund outstanding municipal obligations; or (6) the County Board of Supervisors adopts an initial resolution authorizing the issuance of the debt by a vote of at least three-fourths of the members-elect of the County Board.

2005 Levy Cap: Effective July 27, 2005, Section 66.0602, 2005 Wisconsin Act 25 Local Levy Limits has been enacted so that no city, village, town or county may increase its levy in any year by a percentage that exceeds the political subdivision's valuation factor. The "valuation factor" means a percentage equal to the percentage change in the political subdivision's January 1 equalized value due to new construction less improvements removed between the previous year and the current year but not less than 2.

The 2005 levy cap combines operating and debt service levy amounts. The conditions under which the levy limit may be adjusted include: (a) if a political subdivision transfers to another governmental unit responsibility for providing any service that the political subdivision provided in the preceding year, the levy increase limit otherwise applicable under this section to the political subdivision in the current year is decreased to reflect the cost that the political subdivision would have incurred to provide that service as determined by the department of revenue; (b) if a political subdivision increases the services that it provides by adding responsibility for providing a service transferred to it from another governmental unit that provided the service in the preceding year, the levy increase limit

otherwise applicable under this section to the political subdivision in the current year is increased to reflect the costs of that service, as determined by the department of revenue; (c) if a city or village annexes territory from a town, the city's or village's levy increase limit otherwise applicable under this section is increased in the current year by an amount equal to the town levy on the annexed territory in the preceding year and the levy increase limit otherwise applicable under this section in the current year for the town from which the territory is annexed is decreased by that same amount, as determined by the department of revenue; (d)(1) if the amount of debt service for a political subdivision is the preceding year is less than the amount of debt service needed in the current year, as a result of the political subdivision adopting a resolution before July 1, 2005, authorizing the issuance of debt, the levy increase limit otherwise applicable to the political subdivision in the current year is increased by the difference between these 2 amounts, as determined by the department of revenue and (2) if the limit does not apply to amounts levied by a political subdivision for the payment of any general obligation debt service, including debt service on debt issued or reissued to fund or refund outstanding obligations of the political subdivision, interest on outstanding debt of the political subdivision, or the payment of related issuance costs or redemption premiums, authorized on or after July 1, 2005, and secured by the full faith and credit of the political subdivision; (e) the limit does not apply to the amount that a county levies in that year for a county children with disabilities education board; and, (f) the limit does not apply to the amount that a 1st class city levies for school purposes. The County is required to comply with both the 1993 levy rate cap and the 2005 levy cap.

**ADOPTED 2005 BUDGET****DEPT:** GENERAL COUNTY DEBT SERVICE**UNIT NO.** 9960**FUND:** Debt Service - 0016**INTEREST ALLOCATION (9880)**

<b>Org. No.</b>	<b>Capitalized and Operating Interest Expense for Proprietary Fund Departments</b>	<b>2006 Amount</b>
1162	DAS-Information Management Services Division	\$ 742,344
5041	DPPI-Airport Divison	459,249
5300	DPPI-Fleet Maintenance Division	798,409
5605	Milwaukee County Transit/Paratransit Services	1,289,100
5725	DPPI-Facilities Management Division	278,794
6901	DHHS-Behavioral Health Division	<u>1,138,360</u>
	<b>Subtotal</b>	<b>\$ 4,706,256</b>
1200-1885	Capitalized Interest for Proprietary Fund Departments	<u>354,200</u>
	<b>Total</b>	<b>\$ 5,060,456</b>